

PUBLIC DISCLOSURE

June 20, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

DEDHAM INSTITUTION FOR SAVINGS

23620

**55 ELM STREET
DEDHAM, MA 02026**

**Division of Banks
1000 Washington Street, 10th Floor
Boston, MA 02118**

**Federal Deposit Insurance Corporation
350 Fifth Avenue, Suite 1200
New York, NY 10118**

NOTE:	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.
--------------	---

TABLE OF CONTENTS

I.	General Information.....	1
II.	Institution CRA Rating	
	a. Overall Rating	1
	b. Scope of the Examination	2
	c. Description of the Institution	4
	d. Description of the Assessment Area	5
	e. Conclusions Regarding Performance Criteria	8
III.	Metropolitan Areas	
	A. Combined Boston MSA	
	i. Description of Institutions Operations	23
	ii. Conclusions with Respect to Performance Tests.....	23
	B. Providence-New Bedford-Fall River, RI MA MSA	
	i. Description of Institutions Operations	25
	ii. Conclusions with Respect to Performance Tests.....	25
IV.	Appendices	
	Appendix A: Division of Banks - Fair Lending Policies and Procedures.....	A-1
	Appendix B: General Definitions	A-3

GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") and the Federal Deposit Insurance Corporation ("FDIC") to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Dedham Institution for Savings (or the "Bank")**, prepared by the Division and the FDIC, the institution's supervisory agencies as of **June 13, 2011**. The agencies evaluate performance in the assessment area as it is defined by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in Massachusetts Regulation 209 CMR 46.00. The FDIC rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345 of the FDIC's Rules and Regulations.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."

An institution in this group has an adequate record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The assigned rating is based on the results of two performance tests: the Lending Test and the Community Development Test. The Bank's performance under each of these two tests is summarized below:

Lending Test: "Satisfactory"

- The Bank's loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- A substantial majority (84.1 percent) of the Bank's residential and small business loans are in the institution's assessment area.
- The distribution of loans by borrower income level reflects an adequate penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes, given the demographics of the assessment area.
- The distribution of loans by census tract income level reflects a poor dispersion throughout the assessment area.
- The Bank has not received any CRA-related complaints since the last CRA evaluation.

**Community Development Test: “Satisfactory” by the FDIC
 “High Satisfactory” by the Division**

Note: The regulatory agencies were in agreement with regard to this test. However, the FDIC rating matrix does not allow for a rating of “High Satisfactory.”

- During the current evaluation period, the Bank made four qualified community development loans totaling \$11.7 million and renewed two lines of credit totaling \$750,000 for a total of \$12.4 million, reflecting a good response to community needs.
- The Bank made a good level of qualified community development investments and grants. Qualified investments for the evaluation period totaled \$11.1 million.
- Through its officers and employees, the Bank provided a reasonable level of support to qualified community development organizations in the assessment area.

SCOPE OF THE EXAMINATION

This evaluation was conducted jointly by the Division and the FDIC using the Interagency Intermediate Small Bank CRA Examination Procedures. These procedures utilize two performance tests: the Lending Test and the Community Development Test. This evaluation considered the Bank’s lending and community development activities for the period of March 11, 2008 through June 13, 2011. The data and applicable timeframes for the Lending Test and the Community Development Test are discussed below.

The Lending Test focused on home mortgage and small business lending. Home mortgage data included full-year data from January 1, 2009 through December 31, 2010, and the first three months of 2011 (YTD2011). Information concerning home mortgage lending was derived from the Loan Application Registers (“LARs”) maintained by the Bank pursuant to the Home Mortgage Disclosure Act (“HMDA”). The LARs contain data about home purchase and home improvement loans, including refinancings, of one- to four-family and multifamily (five or more units) properties. The institution reported 858 originations totaling \$249.4 million in 2009; 632 originations totaling \$216.9 million in 2010; and 78 originations totaling \$35.5 million for YTD2011. The evaluation emphasizes the Bank’s home mortgage lending performance in 2009, as this is the most recent year for which aggregate HMDA lending data (aggregate lending data) is available. The aggregate lending data is used for comparative purposes within the evaluation as a measure of loan demand. Aggregate lending data includes lending information from all HMDA-reporting lenders that originated loans in the Bank’s assessment area. Home mortgage lending data for 2009, 2010, and YTD2011 are referenced in the narrative to illustrate trends in the Bank’s lending data.

This evaluation also considered small business loans. Small business loans for the purpose of this evaluation are commercial real estate loans and commercial and industrial loans with original balances of \$1 million or less. The Bank’s small business loan data was derived from a sample of all business loans originated in 2010 and YTD 2011. As an Intermediate Small Bank, the Bank is not required to collect and report small business loan data. The Bank’s small business lending analysis is focused on 2010, as this is the most recent full-year for which the lending data available. For 2010, the evaluation considered a randomly selected sample of 33 loans totaling \$10.5 million. The random sample of small business loans for 2011 consisted of 15 loans totaling \$4.6 million. In contrast to the analyses of the Bank’s HMDA data, comparing

the Bank's small business lending activity to small business aggregate data would not be appropriate, as the aggregate lenders are much larger institutions required to report small business data. Instead, the Bank's small business lending performance is compared to pertinent 2010 demographic information.

Greater emphasis is placed on the Bank's residential lending performance because it remains the Bank's primary lending activity. Small farm loans were not considered since the Bank made no small farm loans during the evaluation period. Consumer lending was also excluded from this analysis since it accounts for a minor portion of the Bank's overall lending activity.

The Community Development Test included community development loans, investments, and services for the period of March 11, 2008 through June 13, 2011. Qualified equity investments currently held by the Bank were included regardless of investment date. The investments were valued at the March 31, 2011 book value.

Demographic information is from the 2000 U.S. Census unless otherwise noted. Financial data was derived from the March 31, 2011 Report of Condition and Income (Call Report).

PERFORMANCE CONTEXT

Description of Institution

Dedham Institution for Savings is a state-chartered mutual savings bank founded in 1891. The Bank's administrative headquarters and main banking office are located at 55 Elm Street in Dedham, Massachusetts. The Bank has no holding company, but does operate two wholly-owned subsidiaries, neither of which offers any products or services to the general public.

In addition to its main office, the Bank operates ten full service branch offices in the following communities: Canton, Dedham (3), Needham, Norwood, Sharon, Walpole (2), and Westwood. Two of the eleven offices are located in middle-income census tracts and the remaining nine are located in upper-income census tracts. Three branch offices are located in retirement communities, offering limited hours of operation and availability is limited to residents and employees of the development. All branches, except those in the three retirement communities, are equipped with 24-hour automated teller machines (ATMs). Five of the branches available to the public at large also have drive-up facilities.

Dedham Institution for Savings is a full service financial institution that offers a wide variety of products and services. The Bank offers a variety of home financing programs for the purchase, refinance, or construction of residential property. The Bank offers commercial real estate loans, equipment financing loans, commercial lines of credit, term loans, collateral loans, business loans, and automobile loans. The Bank also offers personal checking accounts, business checking accounts, money market accounts, Individual Retirement Accounts (IRA), certificates of deposit, and a variety of savings accounts. Some of the services the Bank provides are 24-hour telephone banking, internet banking, online statements, wire transfer services, and night deposit services.

As of March 31, 2011, the Bank had total assets of \$1 billion and total deposits of \$907 million. Total loans were \$719 million and represented 68.0 percent of total assets. Since the prior CRA evaluation, the Bank's assets have grown 6.2 percent, net loans have increased 5.6 percent and deposits have increased 10.7 percent. Table 1 illustrates the current distribution of the Bank's loan portfolio.

Table 1		
Loan Distribution as of March 31, 2011		
Loan Type	Dollar Amount \$('000s)	Percent of Total Loans
Construction and Land Development	38,036	5.3
1-4 Family Residential	518,915	72.2
Multi-Family (5 or more) Residential	17,173	2.4
Commercial	129,646	18.0
Total Real Estate Loans	703,770	97.9
Commercial and Industrial	13,028	1.8
Consumer	2,495	0.3
Other Loans	1	0.0
Total Loans	719,294	100.0

Source: FFIEC Report of Condition and Income (Call Reports) March 31, 2011

The Bank is primarily a residential lender with more than half of the loan portfolio secured by residential properties. As noted in Table 1, approximately 72.2 percent of the loans are secured by residential 1-4 family properties, followed by construction and land development loans at 5.3 percent, and multi-family residential loans at 2.4 percent. Loans secured by commercial real

estate account for 18.0 percent of the loan portfolio, while commercial and industrial loans represent 1.8 percent of loans. Total real estate loans account for 97.9 percent of the total loan portfolio. Discussions with management indicate that the Bank has begun focusing on increasing commercial lending.

The Division and the FDIC last evaluated the Bank's CRA performance as of March 10, 2008, and assigned a rating of "Satisfactory."

There are no apparent financial or legal impediments that would limit the Bank's ability to help meet the credit needs of its assessment area. Based upon the Bank's asset size, product offerings, and branch network, its ability to meet the assessment area's credit needs remains strong.

Description of Assessment Area

The CRA requires financial institutions to define an assessment area or areas within which its CRA performance will be evaluated. The Bank's assessment area as currently defined meets the technical requirements of the CRA since it: (1) consists of one or more political subdivisions, (2) includes the geographies where the Bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the institution originated a substantial portion of its loans, (3) consists of whole census tracts, (4) does not extend substantially beyond state boundaries, (5) does not reflect illegal discrimination, and (6) does not arbitrarily exclude low- and moderate-income areas.

The Bank has defined its assessment area to include 57 cities and towns located throughout the eastern coast of Massachusetts, as well as sections of the City of Boston. Listed below are the communities that comprise the Bank's assessment area grouped by the Metropolitan District (MD) or Metropolitan Statistical Area (MSA) in which they are located:

Boston-Cambridge-Quincy MSA includes two MDs: The Boston-Quincy MD and the Cambridge-Newton-Framingham MD: **Norfolk County, MA** - Avon, Bellingham, Braintree, Brookline, Canton, Dedham, Dover, Foxboro, Franklin, Holbrook, Medfield, Medway, Millis, Milton, Needham, Norfolk, Norwood, Plainville, Quincy, Randolph, Sharon, Stoughton, Walpole, Wellesley, Westwood, Weymouth, and Wrentham. **Plymouth County, MA** - Abington, Bridgewater, Brockton, Duxbury, East Bridgewater, Hanover, Hanson, Hingham, Marshfield, Norwell, Pembroke, Rockland, Scituate, West Bridgewater, and Whitman. **Suffolk County, MA** - The City of Boston neighborhoods of: Dorchester, Hyde Park, Jamaica Plain, Mattapan, Roslindale, Roxbury, and West Roxbury. **Middlesex County, MA** - Ashland, Framingham, Holliston, Lincoln, Natick, Newton, Sherborn, Sudbury, Waltham, Wayland, and Weston.

Providence-New Bedford Fall River, RI-MSA: **Bristol County, MA** - Attleboro, Easton, Mansfield, and North Attleboro.

As the data in Table 2 show, the Bank's assessment area consists of 349 census tracts, of which 25 (7.2 percent) are low-income census tracts, 62 (17.8 percent) are moderate-income census tracts, 137 (39.3 percent) are middle-income census tracts, 124 (35.5 percent) are upper-income census tracts, and one is N/A (0.2 percent). The low-income census tracts are located in Brockton, Dorchester, Framingham, Jamaica Plain, Mattapan, Quincy, and Roxbury. The moderate-income census tracts are located in Brockton, Canton, Dorchester, Framingham, Hyde Park, Jamaica Plain, Mattapan, Quincy, Roslindale, Roxbury, Waltham, West Roxbury and Weymouth. The N/A census tract is located in Bridgewater and contains the Bridgewater Correctional Facility.

Refer to Table 2 below for pertinent demographic information concerning the assessment area.

Table 2 Demographic Information					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	349	7.2	17.8	39.3	35.5
Population by Geography	1,715,802	5.0	15.5	40.0	39.4
Owner-Occupied Housing by Geography	406,415	1.4	8.6	42.9	47.1
Business by Geography	120,430	3.3	10.1	39.1	47.5
Family Distribution by Income Level	430,131	18.1	16.2	21.2	44.5
Distribution of Low and Moderate Income Families throughout AA Geographies	147,746	10.3	24.9	41.4	23.4
Median Family Income (MFI)		\$74,806	Median Housing Value Unemployment Rate (2000 US Census) May, 2011 Bureau of Labor Statistics		\$255,326
HUD Adjusted MFI Boston-Quincy 2011		\$87,600			
HUD Adj. MFI Cambridge-Newton-Framingham 2011		\$105,000			4.1%
HUD Adj. MFI New-Bedford-Fall River 2011		\$74,500			
Households Below Poverty Level		8.2%			7.6%
Families Below Poverty Level		5.6%			

Source: 2000 US Census Data, 2011 HUD updated MFI, 2010 Business Geo-demographic Data

The assessment area has a total population of 1,715,802 residing in 430,131 family households. Of all family households in the area, 18.1 percent are low-income, 16.2 percent are moderate-income, 21.2 percent are middle-income, and 44.5 percent are upper-income.

The assessment area contains 659,028 total housing units, of which 406,415 or 61.7 percent are owner-occupied; 231,217 or 35.1 percent are rental units; and 21,396 or 3.2 percent are vacant units. Of the 406,415 owner-occupied housing units, 5,509 or 1.4 percent are in low-income census tracts, while 34,966 or 8.6 percent are in moderate-income census tracts. These low percentages indicate that the opportunities for lenders to make home mortgage loans in the low- and moderate-income census tracts may be limited.

The median housing value in 2000 for the assessment area was \$255,326, and the median age of the housing stock was 42 years. Recent figures obtained from The Warren Group show that the assessment area's median home prices in 2010 ranged from a low of \$165,000 in Roxbury to \$1.1 million in Weston. In YTD2011, the median price ranged from \$149,000 in Brockton to \$997,000 in Weston. Regardless of the census tract category in which they are located, low- and moderate-income families represent approximately 35 percent of all families within the Bank's assessment area.

A closer look at the total households in the assessment area reveals that 8.2 percent have income levels below the poverty level, and 2.4 percent of households receive some form of public assistance. This poverty rate typically indicates a reduced ability to secure a mortgage loan, thereby reducing lenders' ability to penetrate these markets with residential loan products.

Data obtained from the 2010 Business Geo-demographic Data show that there are 120,430 businesses in the assessment area, of which 77.4 percent have gross annual revenues of \$1 million or less; 5.3 percent have gross annual revenues greater than \$1 million; and the remaining 17.3 percent have unknown revenues. Of total businesses in the assessment area, 3.3 percent are in low-income census tracts; 10.1 percent are in moderate-income census tracts; 39.1 percent are in middle-income tracts; and 47.5 percent are in upper-income tracts. The highest proportion of these business establishments are engaged in the services industry (51.1 percent). Businesses involved in retail trade (12.8 percent), finance, insurance, and real estate (8.7 percent), and

construction (8.7 percent) make up a significant share of the establishments. In terms of employees, approximately 69.8 percent of the area's businesses employ four or fewer people. Included among the largest employers in the assessment area are Brigham and Women's Hospital, Harvard University, Bristol Community College, and Sensata Technologies Inc.

The unemployment rate statewide for Massachusetts is 7.6 percent according to May 2011 statistics gathered from the U.S. Bureau of Labor Statistics. This represents a modest decrease from 2009 and 2010, when the state unemployment rate was 8.2 percent and 8.7 percent, respectively. As of May 2011, the unemployment rates for the counties in the Bank's assessment area were 10.2 percent for Bristol County; 6.0 percent for Middlesex County; 6.5 percent for Norfolk County; 7.8 percent for Plymouth County; and 7.1 percent for Suffolk County.¹

The Bank faces strong competition from other financial institutions that originate loans within the assessment area. These institutions range in size from small credit unions and mortgage companies with single office locations to the largest banks in New England. Among the more prominent lenders competing with the Bank are Bank of America, Sovereign Bank, Eastern Bank, JP Morgan Chase Bank, Citibank, Mortgage Master, Citizens Bank, and Wells Fargo Bank. The 2009 aggregate lending data shows that 567 lenders originated 107,772 residential mortgage loans in the Bank's assessment area. The top three lenders in the assessment area were Bank of America with 10.0 percent, JP Morgan Chase Bank with 6.2 percent, and Citibank with 5.7 percent.

The assessment area has no one primary credit need. The area's residents need a variety of retail loan products to meet personal needs and an array of home financing programs for the purchase, construction, improvement, or refinance of a residence. There is also a demand for loan modifications and rewrites, due to the current economic environment. The area's businesses also require various commercial credit options to meet a wide variety of financing purposes.

Community Contact

As part of the CRA evaluation process, third parties active in community affairs are contacted to assist in assessing the general banking needs of the community. The information obtained helps to determine whether local financial institutions are responsive to the credit and service needs of the communities and what further opportunities, if any, are available.

A community contact was conducted with a non-profit organization that was formed in 1994 to pursue creative options for funding the development or purchase of affordable family rental units in the community. Overall, the contact was pleased with the responsiveness of the local community banks to the areas credit needs and noted that several local banks are participating in a partnership program for affordable housing by offering low interest loans and home improvement loans. The contact stated that more downpayment and closing cost assistance programs would be beneficial to the community. The contact also stated that there is a need for elderly housing.

1. Source: Massachusetts Department of Labor and Workforce Development

PERFORMANCE CRITERIA

The Lending Test considers the institution's performance pursuant to the following criteria: loan-to-deposit (LTD) ratio, assessment area concentration, borrower's profile, geographic distribution of loans, and response to CRA complaints. The Community Development Test considers qualified community development loans, investments, and services.

LENDING TEST

1. LOAN-TO-DEPOSIT (LTD) RATIO

This performance criterion measures the proportion of the Bank's deposit base that management reinvested in the form of loans and evaluates its appropriateness. These ratios are based on total loans, net of unearned income and net of the allowance for loan and lease losses, as a percentage of total deposits. Based on a comparison of the Bank's quarterly net LTD ratios for the 13 quarters since the prior FDIC and Division CRA evaluation to those of similarly situated institutions, the Bank's net LTD ratio is reasonable given its size, financial condition, and the credit needs of its assessment area.

As shown in Table 3, the Bank's average quarterly net LTD since the previous examination is 82.2 percent. The quarterly ratios varied from a low of 78.4 percent (September 2010) to a high of 86.6 percent (December 2008 and June 2009). During this time period, net loans increased 5.6 percent while deposits increased by 10.7 percent.

Table 3

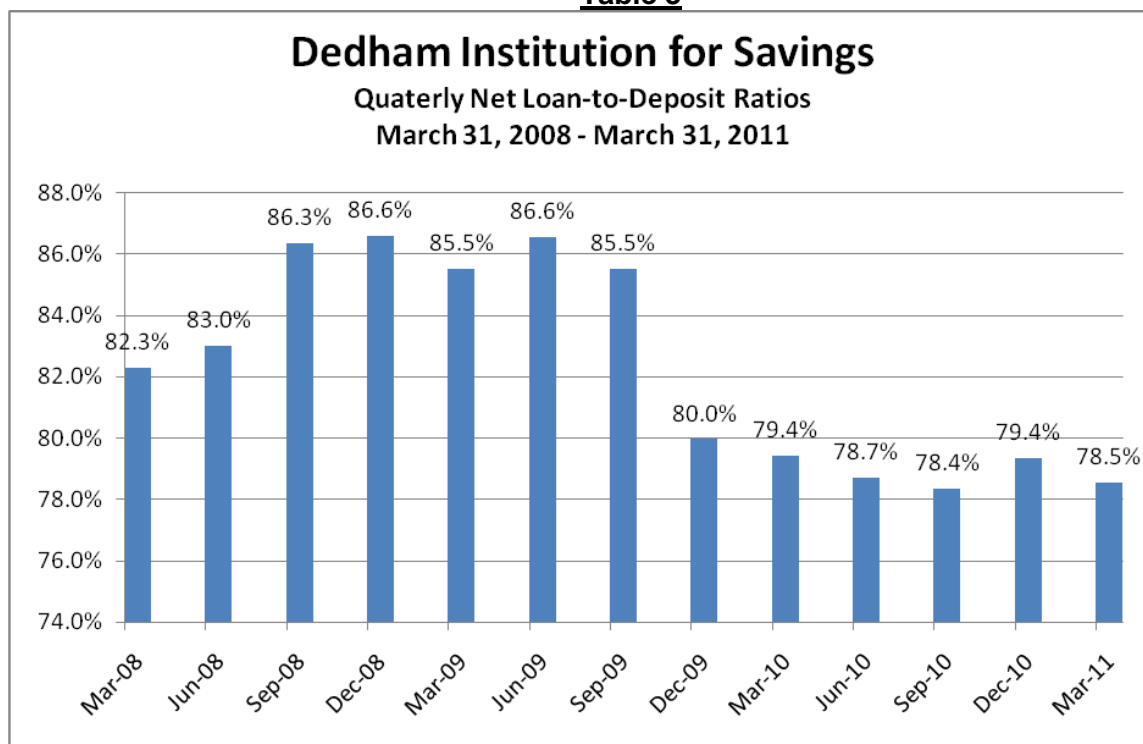


Table 4 shows the comparison of the Bank's average LTD ratio to the average LTD ratios of four institutions of similar asset size and loan portfolio composition.

Table 4 Peer Group Loan-to-Deposit Comparison		
Bank Name	Total Assets \$('000s)	Average Net LTD Ratio 3/31/08 – 3/31/11
Florence Savings Bank	1,070,355	85.4
Dedham Institution for Savings	1,057,504	82.2
Hingham Institution for Savings	1,033,065	115.4
Watertown Savings Bank	1,031,214	60.6
Avidia Bank	1,015,600	98.6

Source: FFIEC Report of Condition and Income (Call Reports) March 31, 2011

As shown in the above table, the four other institutions' average quarterly LTD ratios ranged between 60.6 percent and 115.4 percent. At 82.2 percent, the Bank's average LTD is not as high as three of the similarly situated institutions, but is well within the range shown.

The Bank also sells loans in the secondary market, a type of loan origination activity that is not reflected in an institution's net LTV. Since the last examination, the Bank sold 1,004 loans totaling \$241.8 million. All of the loans were sold to Fannie Mae. This, in addition to the Bank's average LTD ratio, demonstrates its willingness to reinvest in the community through its lending services.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

This performance criterion evaluates the extent to which the Bank is meeting the credit needs within its assessment area. The analysis includes both residential lending and small business lending.

Based on a review of residential mortgage and small business loan data, a substantial majority (84.1 percent) of the Bank's lending activity occurs within the assessment area. Table 5 illustrates the Bank's record of extending residential mortgage and small business loans inside and outside the assessment area, by number and dollar amount, during the period reviewed.

Table 5
Distribution of Loans Inside and Outside of Assessment Area

Loan Category or Type	Number Loans					Dollar Volume (\$000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
<i>2009</i>										
Home Purchase	112	72.3	43	27.7	155	45,585	69.0	20,473	31.0	66,058
Refinance	514	86.7	79	13.3	593	131,366	80.6	31,699	19.4	163,065
Home Improvement	105	95.5	5	4.5	110	18,970	93.4	1,347	6.6	20,317
Total	731	85.2	127	14.8	858	195,921	78.5	53,519	21.5	249,440
<i>2010</i>										
Home Purchase	107	67.7	51	32.3	158	51,364	62.4	30,929	37.6	82,293
Refinance	324	86.6	50	13.4	374	90,081	77.5	26,220	22.5	116,301
Home Improvement	93	93.0	7	7.0	100	16,139	88.2	2,161	11.8	18,300
Total	524	82.9	108	17.1	632	157,584	72.7	59,310	27.3	216,894
<i>YTD 2011</i>										
Home Purchase	15	71.4	6	28.6	21	5,258	60.0	3,509	40.0	8,767
Refinance	42	89.4	5	10.6	47	21,010	84.3	3,920	15.7	24,930
Home Improvement	9	90.0	1	10.0	10	1,430	78.9	383	21.1	1,813
Total	66	84.6	12	15.4	78	27,698	78.0	7,812	22.0	35,510
Total Home Loans	1,321	84.2	247	15.8	1,568	381,203	76.0	120,641	24.0	501,844
Small Business 2010	23	69.7	10	30.3	33	6,884	65.4	3,645	34.6	10,529
Small Business 2011	15	100.0	0	0.0	15	4,553	100.0	0	0.0	4,553
Total Small Business Loans	38	79.2	10	20.8	48	11,437	75.8	3,645	24.2	15,082
Grand Total	1,359	84.1	257	15.9	1,616	392,640	76.0	124,286	24.0	516,926

Source: 2009, 2010 and YTD2011 HMDA LARs and Sample of the Bank's 2010 and YTD2011 Small Business Loans

Home Loans

As shown in Table 5, the Bank originated 1,321 home loans totaling \$381.2 million in the assessment area during the evaluation period. This represents 84.2 percent of the total number and 76.0 percent of the dollar volume of all home loans originated. The distribution of loans by number bears more weight on the Bank's rating than the distribution by dollar amount, since the number of loans originated does not reflect the substantial differences in property values that exist within the assessment area.

Based, in part, on the high level of competition from other lenders, the Bank's performance under this criterion is considered more than reasonable, as a substantial majority of residential loans by number were originated inside the assessment area.

Small Business Lending

An additional analysis of small business lending was conducted by reviewing the Bank's commercial real estate and commercial and industrial (small business) loans. This review consisted of a sample of 48 small business loan originations for 2010 and YTD2011.

As shown in Table 5, 38 of the 48 loans reviewed, or 79.2 percent, were originated in the assessment area. The Bank's sample of originated loans totaled over \$15.1 million, of which \$11.4 million, or 75.8 percent, were in the Bank's assessment area. The Bank originated a majority of small business loans by number and by dollar amount inside the assessment area.

3. DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS AND BUSINESSES OF DIFFERENT SIZES

This performance criterion evaluates the distribution of a Bank's residential mortgages and small business loans by borrower income level. Analyses were conducted of the Bank's residential mortgage loans inside the assessment area based on borrower income and the Bank's small business loans inside the assessment area based on the size of business. For residential lending, emphasis is placed on loans to low- and moderate-income borrowers, and for small business lending, emphasis is placed on loans to businesses with gross annual revenues (GAR) of \$1 million or less.

Based on the review of the HMDA LARs and a sample of small business loans, the Bank has achieved an adequate penetration of loans among individuals of different income levels and businesses of different revenue sizes.

Home Loans

The following table shows the distribution of the Bank's residential mortgage loans by borrower income level.

Table 6 Distribution of HMDA Loans by Borrower Income (Excludes borrowers for which income is not available)									
Loan Category	# of Bank Loans	Percent of Bank Loans				Percent of Aggregate Lending			
		Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper
<i>2009</i>									
Home Purchase	108	2.8	13.9	16.7	66.6	6.4	23.7	27.7	42.3
Home Improvement	101	8.9	8.9	29.7	52.5	6.8	18.5	25.0	49.7
Refinance	507	1.6	15.8	22.7	59.9	3.7	14.4	25.8	56.1
Total	716	2.8	14.5	22.8	59.9	4.4	16.8	26.3	52.5
<i>2010</i>									
Home Purchase	94	1.1	16.0	23.4	59.5				
Home Improvement	90	4.4	14.4	27.8	53.4				
Refinance	313	2.2	10.2	22.0	65.6				
Total	497	2.4	12.1	23.3	62.2				
<i>YTD 2011</i>									
Home Purchase	13	0.0	23.1	15.4	61.5				
Home Improvement	8	0.0	12.5	12.5	75.0				
Refinance	39	2.6	2.6	30.8	64.0				
Total	60	1.7	8.3	25.0	65.0				
Grand Total	1,273	2.6	13.3	23.1	61.0				
Demographics	#	Distribution of Families							
		Low	Moderate	Middle	Upper				
Families	430,131	18.1	16.2	21.2	44.5				

Source: 2009, 2010 and YTD2011 HMDA LARs, HMDA Aggregate for 2009, and 2000 US Census Data

The data in Table 6 show that, in 2009, upper-income borrowers accounted for the largest share of the Bank's loans in each of the loan categories and the largest single share of total loans. The percentage of loans to upper-income borrowers was also significantly higher than the 44.5 percent of upper-income families in the Bank's assessment area. The strong penetration of upper-income borrowers is not unexpected, since aggregate lending was also highest among upper-income borrowers at 52.5 percent.

Middle-income borrowers accounted for the next highest percentage of total loans, as well as the next highest percentage in each of the three home loan categories. The percentage of loans to the middle-income borrowers was slightly higher than the 21.2 percent of middle-income families in the assessment area and the 26.3 percent of loans to middle-income borrowers by all other HMDA-reporting lenders.

Moderate-income borrowers accounted for 14.5 percent of residential mortgage volume, which is only slightly lower than the 16.2 percent representation of moderate-income families in the assessment area and the 16.8 percent of residential mortgages originated to moderate-income families by all other HMDA-reporting lenders. However, the proportion of home refinancings originated by the Bank to moderate-income borrowers, at 15.8 percent, exceeded the 14.4 percent aggregate level.

Low-income borrowers accounted for the lowest share of total residential mortgage originations at 2.8 percent. The proportion of loans to low-income borrowers was far below the proportion of low-income families (18.1 percent) in the assessment area but was only slightly below the 4.4 percent of loans made to low-income borrowers by other HMDA-reporting lenders. Again there are some differences noted when looking at individual products. Although it is noted that lending to low-income borrowers appears to be low, it would be difficult for most low-income families to qualify for home mortgage given the current economic environment and the area's high housing costs. Home purchase prices in the area present a major obstacle in achieving homeownership for most low-income families, particularly the 31 percent of all low-income families living below the poverty level.

In 2010, the distribution of home loans among the borrower income categories was comparable to 2009, in that middle- and upper-income borrowers accounted for the majority of the home loans. The Bank's overall performance among low- and moderate-income borrowers decreased slightly to 2.4 percent and 12.1 percent, respectively. However, as discussed previously, home prices are still considered high and largely out-of-reach for most low- and moderate-income borrowers.

The Bank has made positive efforts to address the credit needs of low- and moderate-income borrowers. The Bank originates loans through the MassHousing loan programs that are geared toward low- and moderate-income borrowers and feature competitive interest rates and flexible underwriting standards. The Bank also offers other state-sponsored and in-house programs for borrowers who may need assistance with downpayments and closing costs.

Small Business Lending

The Bank's small business lending was reviewed to assess how well the Bank is addressing the area's business credit needs. The distribution of borrowers for small business loans reflects an adequate penetration among businesses of different sizes. Table 7 illustrates the distribution of the Bank's 2010 small business loans within the assessment area by size of businesses. For comparison purposes, the table includes the percentage of businesses in the assessment area by GAR category.

Table 7					
Distribution of Small Business Loans by Business Size					
GAR \$('000s)	% of Businesses	2010			
		#	%	\$ ('000)	%
≤ \$1,000	77.4	14	60.9	3,586	52.1
> \$1,000	5.3	9	39.1	3,298	47.9
Revenue Not Reported	17.3	0	0.0	0	0.0
Total	100.0	23	100.0	6,884	100.0

Source: Sample of the Bank's 2010 Small Business Loans and 2010 Business Geo-demographics Data

As shown in Table 7, the Bank made 60.9 percent of all small business loans to businesses with GAR of \$1 million or less in 2010, which is lower than the percentage of business in that size category (77.4 percent).

Additionally, an analysis was performed by dollar amount of the loan, as loan amount is used as a proxy for business size based on the assumption that the smaller the loan amount, the smaller the business receiving credit. Refer to Table 8 for further information regarding this analysis.

Table 8				
Distribution of Small Business Loans by Loan Size				
Loan Size (000s)	2010			
	#	%	\$ (000)	%
≤ \$100	5	21.7	204	3.0
> \$100 and ≤\$250	6	26.1	897	13.0
> \$250 and ≤ \$1,000	12	52.2	5,783	84.0
Total	23	100.0	6,884	100.0

Source: Sample of the Bank's 2010 Small Business Loans

During 2010, a majority of the Bank's small business loans (52.2 percent) were in amounts between \$250,000 and \$1 million. Of the remainder, 26.1 percent were between \$100,000 and \$250,000, and 21.7 percent were in amounts less than \$100,000.

4. GEOGRAPHIC DISTRIBUTION

This criterion evaluates the distribution of the Bank's loans within the assessment area by census tract income level, with emphasis on lending in low- and moderate-income census tracts. As mentioned previously under the Description of Assessment Area, the Bank's assessment area contains 349 census tracts, of which 25 are low-income, 62 are moderate-income, 137 are middle-income, 124 are upper-income and 1 is N/A. Based on a review of the HMDA LARs and the sample of small business loans, the overall geographic distribution of loans reflects a poor penetration of geographies of different income levels, particularly with regard to home mortgage lending in the assessment area's low- and moderate-income geographies.

Home Loans

The geographic distribution of the Bank's home loans reflects a poor penetration across geographies of different income levels, particularly the assessment area's low- and moderate-income geographies. Table 9 illustrates the geographic distribution of the Bank's residential mortgage lending within the assessment area by the number of loans originated during 2009, 2010 and YTD 2011. For comparative purposes, the table also includes the percentage of owner-occupied housing units within each income category and aggregate lending data for 2009.

Table 9
Distribution of HMDA Loans by Census Tract Income

Loan Category	# of Bank Loans	Percent of Bank Loans				Percent of Aggregate Lending			
		Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper
2009									
Home Purchase	112	0.0	3.6	29.5	66.9	1.8	11.6	43.6	43.0
Home Improvement	105	1.9	3.8	40.0	54.3	1.0	6.4	40.4	52.2
Refinance	514	0.4	1.2	30.2	68.2	0.6	5.2	36.7	57.5
Total	731	0.6	1.9	31.5	66.0	0.9	6.8	38.5	53.8
2010									
Home Purchase	107	0.9	5.6	33.6	59.9				
Home Improvement	93	0.0	1.1	48.4	50.5				
Refinance	324	0.3	1.2	26.5	72.0				
Total	524	0.4	2.1	31.9	65.6				
YTD 2011									
Home Purchase	15	0.0	13.3	26.7	60.0				
Home Improvement	9	0.0	0.0	66.7	33.3				
Refinance	42	0.0	0.0	31.0	69.0				
Total	66	0.0	3.0	34.9	62.1				
Grand Total	1,321	0.5	2.0	31.8	65.7				
Demographics	#	Distribution of Housing							
		Low	Moderate	Middle	Upper				
Owner Occupied Units	406,415	1.4	8.6	42.9	47.1				

Source: 2009, 2010 and YTD2011 HMDA LARS, HMDA Aggregate Data for 2009, 2000 US Census Data

As shown in Table 9, lending in low-income tracts was a very small percentage of total lending and is declining with YTD2011 showing no loans in low-income census tracts. However, it is noted that there is also a relatively small percentage of housing in these census tracts, limiting lending opportunities.

More indicative of poor penetration is the Bank's performance in the moderate-income census tracts where there is a higher level of lending opportunities and the disparity with the performance of the aggregate is noted.

In 2009, 1.9 percent of the Bank's HMDA-reportable loans were originated in moderate-income census tracts. This is significantly below both the performance of other HMDA-reporting lenders (6.8 percent) and the percentage of owner-occupied units within these tracts (8.6 percent). In 2010, the Bank's lending in moderate-income census tracts increased to 2.1 percent of all home loans. Despite the increase, the Bank's performance in the moderate-income census tracts is considered poor.

An analysis of the Bank's residential mortgage originations in 2009 indicates that 66.0 percent of all home loans were originated in upper-income census tracts compared to an aggregate level of 53.8 percent. In 2009, the upper-income census tracts accounted for the highest proportions of the home purchase, refinance, and home improvement loans. The high percentage of loans in the upper-income census tracts is not surprising, considering that these census tracts contain 47.1 percent of the area's owner-occupied housing units. In addition, nine of the Bank's eleven branch offices are located in upper-income census tracts, drawing a large number of borrowers from these and surrounding areas. Middle-income census tracts accounted for all of the remaining loan volume, at 31.5 percent.

The pattern of home lending in 2010 is similar to 2009, in that the upper-income census tracts accounted for the highest proportions of lending, both overall and in each of the loan categories. However, the middle-income census tracts accounted for even higher proportions of the home purchase and home improvement loans than in the prior year.

Small Business Lending

The geographic distribution of small business loans reflects an adequate dispersion throughout the assessment area. Table 10 summarizes the Bank's distribution of small business loans by census tract income level. Demographic information is included for comparative purposes.

Table 10					
Distribution Small Business Loans by Census Tract Income					
Loan Category	# of Bank Loans	Percent of Bank Loans			
		Low	Moderate	Middle	Upper
2010	23	0.0	8.7	39.1	52.2
Demographics	#	Distribution of Businesses			
		Low	Moderate	Middle	Upper
Businesses	120,430	3.3	10.1	39.1	47.5

Source: Sample of the Bank's 2010 Small Business Loans, 2010 Business Geo-demographic Data

As the data in Table 10 shows, the majority of the Bank's small business lending is in middle- and upper-income census tracts. The concentration of small business loans in middle- and upper-income census tracts is expected given that 86.6 percent of businesses are located within those areas. Moderate-income geographies account for 8.7 percent of the Bank's small business loans, which is comparable to the 10.1 percent proportion of small businesses located in moderate-income geographies. Based on the sample of small business loans reviewed, the Bank originated no small business loans in low-income census tracts during 2010. However, this is not unexpected since the Bank is not an active commercial lender and only 3.3 percent of all small businesses are located in the area's low-income geographies.

5. RESPONSE TO CRA COMPLAINTS

The Bank has not received any CRA-related complaints during the evaluation period. As a result, this performance criterion does not have any bearing on the overall rating.

COMMUNITY DEVELOPMENT TEST

An institution should appropriately assess the needs in its community; engage in different types of community development activities based on those needs; and devote a reasonable level of community development resources strategically to meet those needs. The flexibility inherent in the Community Development Test allows Intermediate Small Banks to focus on meeting the substance of community needs through these activities.

The Bank's community development performance demonstrates a good responsiveness to the community development needs of its assessment area through a combination of community development loans, qualified investments, and community development services, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area(s).

Community Development Loans

For the purpose of this evaluation, a community development loan is defined as a loan that: (1) has community development as its primary purpose, (2) has not already been reported by the Bank for consideration under small business or home mortgage lending (unless it is a multifamily dwelling loan), and (3) benefits the Bank's assessment area or a broader statewide or regional area that includes the Bank's assessment area.

During the evaluation period, the Bank originated four community development loans totaling \$11.7 million and renewed two lines of credit totaling \$750,000 for a total of \$12.4 million. The total dollar amount represents 1.1 percent of total assets (\$1.1 billion) and 1.7 percent of total loans (\$712.7 million) as of March 31, 2011. This level of lending represents a significant increase from the previous CRA evaluation period, during which the Bank originated five community development loans totaling \$3.1 million and renewed two lines of credit for \$1 million, for a total of \$4.1 million.

The following describes the community development loans originated since the prior evaluation.

- The Bank originated a \$6.2 million facility, in the form of a construction loan of \$4.8 million in 2008 and a \$1.4 million line of credit in 2010, to build a 20-unit residential subdivision. The project falls under the Commonwealth of Massachusetts' 40B program, which supports affordable housing developments by using flexible rules if at least 20-25 percent of the units have long-term affordability. Four of the twenty housing units are designated as "affordable units."
- In 2010, the Bank originated a \$2.6 million purchase and rehabilitation loan for a 30-unit multifamily building. A review of the rent roll of the building confirmed all 30-units are classified as affordable housing.
- In 2010, the Bank originated a \$2.6 million facility, in the form of refinance and development loan of \$1.5 million and a \$1.1 million line of credit, to build a 10-unit residential subdivision. The project falls under the Commonwealth of Massachusetts' 40B program as described above. Two of the ten housing units are designated as "affordable units."
- In 2010, the Bank renewed a \$500,000 line of credit to non-profit organization that provides housing for low- and moderate-income individuals and families. This line of credit was used for the construction of 22 units of affordable housing on Blue Hill Avenue in Dorchester.

- In 2010, the Bank originated a \$276,000 loan to purchase a diner and meet short-term cash flow needs of the local business. The loan was made as part of the Small Business Administration's 504 Certified Development Company Program.
- In 2010, the Bank renewed a \$250,000 line of credit to a non-profit organization that creates opportunities by providing education and government assistance to first-time homebuyers for affordable housing.

Community Development Investments

A qualified investment for purposes of this CRA evaluation is a lawful investment, deposit, donation, or grant that has community development as its primary purpose. The evaluation considered (1) investment and grant activity, (2) the responsiveness to credit and community development needs, and (3) community development initiatives.

Total outstanding qualified community development investments and grants of approximately \$11.1 million represent 1.0 percent of total assets (\$1.1 billion), 10.5 percent of total equity capital (\$106.2 million), and 5.0 percent of securities (\$223.2 million), as of March 31, 2011.

Investments

CRA Investment Fund

- In August 2008, the Bank invested \$2 million in the CRA Investment Fund (the Fund). The Fund is a mutual fund whose investment strategy is to invest in debt securities that qualify as community development. Such securities include single family, multi-family, and economic development loans. The Fund also invests in taxable municipal bonds whose primary purpose is community development.

The Bank's \$2 million investment has been allocated to the Massachusetts Housing Finance Agency in the form of Series F bonds. The bonds will be used to fund seven separate multifamily housing projects that will be dedicated to individuals whose income is less than 80 percent of the median family income and provide affordable housing.

Access Capital Community Investment Fund

- In March 2010, the Bank invested \$3.5 million in the Access Capital Community Investment Fund. The Access Capital Community Fund supports government-guaranteed loans; asset-backed securities, particularly mortgage-backed securities; small business loans; taxable municipal securities; and other instruments that support affordable housing and economic development, particularly serving low- and moderate-income individuals and communities. As of March 31, 2011, the Bank's outstanding investment was \$3,438,300.

Boston Community Loan Fund (BCLF)

- In November 2002, the Bank invested \$1.0 million in the Boston Community Loan Fund (BCLF) and continues to retain this investment. BCLF provides financing to organizations that create affordable housing, services, and opportunities for low-income people and communities. The financing helps support the renovation and creation of affordable rental and home ownership units for low- and moderate-income individuals and families, as well as schools, supportive housing, and commercial real estate in distressed communities. As of March 31, 2011, the Bank's pro-rata allocation of the BCLF is \$796,175.

Federal National Mortgage Association (FNMA) Mortgage Backed Securities

During the timeframe covered by the evaluation, the Bank purchased five mortgage-backed securities totaling \$4,557,193. The securities are backed by mortgages located within the Bank's assessment area to low- and moderate-income borrowers.

Grants and Donations

Total qualified investments for this evaluation period included grants and donations by the Bank. Qualified grants and donations supported initiatives and organizations that seek to provide affordable housing, health care services, family counseling, food assistance, and daycare services to the area's low- and moderate-income individuals.

The total amount of qualified CRA grants and donations made by the Bank from March 11, 2008, through June 20, 2011, was \$72,693. This amount represents a decrease over the prior evaluation period when the Bank made qualified donations totaling \$231,389.

Individual year totals are as follows: 2008 (\$12,467), 2009 (\$26,300), 2010 (\$28,301), and YTD2011 (\$5,625), representing (0.2) percent, 0.4 percent, 0.4 percent and 0.2 percent of net operating income (NOI), respectively, as noted in the table below. In 2008, the Bank had an unrealized loss on the Bank's available for sale securities, which explains the negative percentage.

Of the total community development dollars donated over this time frame, \$67,293 or 92.6 percent was provided to organizations that provide affordable housing. The Bank provided \$5,400, or 7.4 percent, to organizations that provide community services targeted to low- and moderate-income persons.

Table 11 summarizes the Bank's grants and donations by community development category and year.

Table 11 Community Development Grants and Donations					
Community Development Category	2008	2009	2010	YTD2011	Total
Affordable Housing	12,067	23,800	25,801	5,625	67,293
Community Services	400	2,500	2,500	-	5,400
Total	12,467	26,300	28,301	5,625	72,693
Pre-tax Net Operating Income (NOI)	(7,941,000)	5,987,000	7,095,000	3,245,000	8,386,000
Donations/Pre-Tax NOI	(0.2)	0.4	0.4	0.2	0.9
Number of Organization Benefiting from Donations	10	10	12	2	34

Source: Internal Bank Records

Examples of benefiting organizations include:

Consumer Credit Counseling – This non-profit organization's mission is to provide confidential consumer credit counseling services, debt management and financial education to consumers, especially low- and moderate-income individuals.

Neighborhood Housing Services – This organization's mission is to provide affordable housing to low- and moderate-income individuals.

Nuestra Comunidad – This organization is devoted to building the wealth and enhancing the physical, economic, and social well-being of Roxbury and other underserved populations in greater Boston, through a community-driven process that promotes self-sufficiency and neighborhood revitalization, which includes many affordable housing projects.

South Shore Housing - This organization's mission is to enhance the quality of life for low- and moderate-income people by providing safe and affordable housing.

Community Development Services

A community development service has community development as its primary purpose and is generally related to the provision of financial services or technical services and assistance.

Listed below is a representative sample of community development services provided by the Bank officers and employees during the evaluation period, a sample of the education and financial education either provided or sponsored by the Bank during the evaluation period, and branch/ATM distribution and services distribution in the assessment area's low- and moderate-income census tracts.

Bank Employee Involvement

Officers and employees of the Bank are involved in a number of local community development and non-profit organizations in various capacities. Bank personnel provide these organizations with financial and management expertise while serving as directors, officers, loan committee members, and volunteers. The following is a representative sample of the organizations that the Bank was involved with during the evaluation period. These organizations provide affordable housing, economic development, and other services to the area's low- and moderate-income geographies and residents.

- **The Charles River Center** – This non-profit human service agency in Needham provides employment and job training, residential homes, therapeutic day programs, and recreational programs for children and adults with mental retardation and other developmental disabilities. The Bank's President is on the Board of Directors.
- **South Shore Habitat for Humanity** – This non-profit organization helps low-income individuals and families to finance and build affordable homes. An Executive Vice President is the organization's President and serves on the Board.
- **Southwest Affordable Housing Partnership Inc.** – This non-profit community organization helps low- and moderate-income individuals obtain affordable housing options in Dedham, Norwood, Walpole, and Westwood. A Senior Vice President of the Bank is a member of the Board of Directors.
- **Neighborhood Housing of the South Shore** – This organization's mission is to create opportunities by providing education and government assistance to first-time homebuyers for affordable housing. A Bank officer is on the Board of Directors.
- **Brockton Housing Partnership** – This organization is committed to enhancing the quality of life for low- and moderate-income individuals by providing safe and affordable housing, while helping families move forward toward economic and social independence. Two Loan Officers are members and participate in their foreclosure prevention task force hotline.

- **Randolph Banking Collaborative** – This non-profit organization is a collaboration of local banks and credit unions that formed a partnership to participate in financial literacy programs in Avon, Randolph, and Brockton High School. They also offer educational seminars. Two Loan Officers participate in programs that help promote financial literacy.

Educational Seminars

Bank officers have participated in seminars and other events sponsored by the Bank during the evaluation period. These events provide opportunities for Bank representatives to inform those in attendance about the products and services offered by the Bank and to gain information about unmet credit needs in the assessment area. The following is a sample of seminars and events performed by the Bank.

- The Bank has sponsored, co-sponsored, and participated in numerous first-time homebuyer seminars and workshops as a means of educating the public and promoting the Bank's products and services. These seminars have been held independently or in collaboration with organizations like The Brockton Housing Partnership, Neighborhood Housing Services of the South Shore, and the Randolph Bank Collaborative. The homebuyer seminars conducted typically generate up to 30 attendees.
- The Bank presented a financial literacy seminar to six middle/high school teachers. The teachers took a three-day seminar learning about all aspects of banking. Topics included the basics of banking, good credit, budgeting, and credit cards. The seminar was then used as a framework for the six teachers' yearly curriculum that educated over 600 students across the Bank's assessment area on the different aspects of banking.
- The Bank presented a financial literacy seminar to the senior class at Dedham High School. Topics include the basics of banking, good credit, budgeting, and credit cards.
- The Bank has sponsored Reverse Mortgage information sessions. Topics discussed during the sessions include: types of reverse mortgages, eligibility requirements, benefits, tax-free options, closing costs, interest rates, loan repayment, and effect on public benefits.
- The Bank sponsored a "Preventing Financial Exploitation of the Elderly" and "Don't be a Victim" seminar to elderly interested in learning how to protect themselves from the many financial scams that have been occurring in recent years.
- The Bank performed financial counseling to potential homebuyers as part of a "housing lottery" offered by the Sharon Housing Authority. The "housing lottery" has very strict guidelines, which include potential borrowers being first-time homebuyers and low- or moderate-income individuals. During the seminars, Bank employees discussed financial responsibilities of owning a home and the financial details of the housing lottery.

Other Community Services

The Bank participates in the following public and privately sponsored programs that have special features that are of particular benefit to lower-income consumers:

- The Bank continues to participate in the Federal Home Loan Bank's Equity Builder Program (EBP). The EBP provides grant money for down payment and closing costs associated with obtaining a mortgage loan. Low- and moderate-income eligible borrowers can receive up to \$15,000 in assistance. As part of this program, the Bank works in conjunction with local housing agencies that provide affordable housing to low-

and moderate-income individuals and families. The Bank works with borrowers who are looking to purchase a home by offering lower cost first mortgage financing through an agency such as the Massachusetts Housing Finance Agency and a grant from the EBP. In originating these loans, Bank employees spend additional time and share financial expertise with these borrowers. The Bank must also apply for approval from the FHLB, which also requires additional time and financial expertise on their part. During the evaluation period, four loans were originated under this program, totaling \$40,000.

- The Bank continues to participate in the Massachusetts Community and Banking Council's (MCBC) Soft Second Loan Program. For the first ten years, payments are interest-only (there is no repayment of principal during this period) and payments may be further reduced for qualifying low- and moderate-income homebuyers by public subsidies. In originating these loans, Bank employees spend additional time and share financial expertise with these borrowers.

Branch and Service Distribution to Low- and Moderate-Income Areas

Table 12 summarizes the distribution of the Bank's offices by the census tract income level, compared to the distribution of total census tracts in the assessment area by income level and the distribution of the assessment area population by census tract income level.

Table 12 Branch Distribution by Census Tract Income Level			
Census Tract Income Level	% of Bank Offices by Tract	% of tracts in the AA	% of Population by Tract
Low	0.0	7.2	4.9
Moderate	0.0	17.8	15.5
Middle	18.2	39.3	40.0
Upper	81.8	35.5	39.5

Source: Bank records and 2000 Census Data

As seen in Table 12,, the Bank does not have any branch offices in low- or moderate-income census tracts, despite the presence of low- and moderate-income tracts in the assessment area and the percentage of the population residing in these census tracts.

As mentioned under Description of the Institution, in addition to its main office, the Bank operates ten other full-service offices in the assessment area. Three full-service branches are located in retirement communities for individuals 55 and over, including a new branch (NewBridge on the Charles) that opened on June 15, 2009. As these retirement communities offer limited hours of operation and locations within the common facilities of each respective development, these offices are, effectively, unavailable to the public at large.

The following table summarizes the Bank branches, their location, any alternative delivery systems offered, and the hours of availability:

Table 13 Branch Distribution and Services Information				
Office	Location	Census Tract Income Level	Alternative Delivery Systems	Hours
Main Office	Dedham	Upper	ATM	Monday – Saturday and extended hours
Dedham Square Branch	Dedham	Upper	ATM	Monday – Friday
East Dedham Branch	Dedham	Middle	ATM	Extended hours and Saturdays
Needham Branch	Needham	Upper	ATM	Extended hours and Saturdays
Norwood Branch	Norwood	Middle	ATM	Extended hours and Saturdays
Sharon Branch	Sharon	Upper	ATM	Extended hours and Saturdays
Walpole Branch	Walpole	Upper	ATM	Extended hours and Saturdays
Westwood Branch	Westwood	Upper	ATM	Extended hours and Saturdays
Del Pond Drive Branch (senior housing)	Canton	Upper	None	Limited hours
New Pond Village Branch (senior housing)	Walpole	Upper	None	Limited hours
NewBridge (senior housing)	Dedham	Upper	None	Limited hours

Source: Bank information

The Bank is a member of SUM[®], an alliance of many community banks that have agreed not to assess ATM surcharge fees to any of the other member banks' customers. This service is of particular benefit to low- and moderate-income consumers.

METROPOLITAN AREAS

DESCRIPTION OF INSTITUTION'S OPERATIONS IN BOSTON - CAMBRIDGE –QUINCY MSA - Includes two MDs: The Boston-Quincy MD; and the Cambridge-Newton-Framingham MD:

The Bank operates eight full-service and three limited-service branch offices in the Boston-Cambridge Quincy, MA MSA (Boston MSA). Each full-service branch is equipped with at least one ATM. The Boston-Quincy MD includes the following cities and towns by county: **Norfolk County, MA** – Avon, Bellingham, Braintree, Brookline, Canton, Dedham, Dover, Foxborough, Franklin, Holbrook, Medfield, Medway, Millis, Milton, Needham, Norfolk, Norwood, Plainville, Quincy, Randolph, Sharon, Stoughton, Walpole, Wellesley, Westwood, Weymouth, and Wrentham; **Plymouth County, MA** – Abington, Bridgewater, Brockton, Duxbury, East Bridgewater, Hanover, Hanson, Hingham, Marshfield, Norwell, Pembroke, Scituate, Rockland, West Bridgewater, and Whitman; **Suffolk County, MA** – Dorchester, Hyde Park, Jamaica Plain, Mattapan, Roslindale, Roxbury, and West Roxbury. The Cambridge-Newton-Framingham MD includes the following cities and towns by county: **Middlesex County, MA** – Ashland, Framingham, Holliston, Lincoln, Natick, Newton, Sherborn, Sudbury, Waltham, Wayland, and Weston. HUD adjusts the Median Family Income (MFI) for each MD every year. For the Boston-Quincy MD the MFI in 2009 was \$83,900, in 2010 the MFI was \$85,200 and in 2011 the MFI increased to \$87,600. For the Cambridge–Newton-Framingham MD the MFI in 2009 was \$97,100, in 2010 the MFI was \$98,700, and in 2011 the MFI increased to \$105,000.

This portion of the Bank's assessment area is comprised of 331 census tracts; 25 or 7.6 percent are low-, 62 or 18.7 percent are moderate-, 131 or 39.6 percent are middle-, 112 or 33.8 percent are upper-income, and one or 0.3 percent is a NA census tract. The area has a population of 1,601,878 residents, which is concentrated in middle- and upper-income census tracts. Consequently, the largest share of owner-occupied housing units (89.2 percent) is in the middle- (44.5 percent) and upper-income (44.7 percent) census tracts. The breakdown of the families by income classification is 18.7 percent low-income, 16.4 percent moderate-income, 21.2 percent middle-income, and 43.7 percent upper-income. The area's business establishments are also concentrated in the middle- (40.0 percent) and upper-income (45.7 percent) census tracts with a total of 85.7 percent of the 113,023 area's businesses operating in these tracts.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE BOSTON-QUINCY MSA:

LENDING TEST

Residential Lending

The residential lending in the Boston MSA is adequate based on the Bank's branch office network and the area's population and housing characteristics. Lending in the MSA is consistent with the lending throughout the Bank's entire assessment area. During 2009, the Bank originated 715 residential loans within this portion of the Bank's assessment area. This represents 97.8 percent of the total number of residential loans the Bank originated within its assessment area. In 2010 and YTD2011, the Bank originated 513 and 64 loans, respectively, in this MSA

The Bank's lending to borrowers of different incomes in this area, particularly to those of low- and moderate-income, is adequate. During 2009, the Bank originated 2.7 percent of its loans to low-income borrowers and 14.4 percent to moderate-income borrowers. Residential lending in 2010 decreased slightly for low-income borrowers (2.3 percent) as well as moderate-income borrowers (11.7 percent) and for YTD2011, 1.6 percent and 4.7 percent, respectively. In 2009, most of the residential lending (65.6 percent) was in the upper-income census tracts in this portion of the Bank's assessment area. The Bank originated 0.6 percent of its residential loans within the low-income census tracts and 2.0 percent of its residential loans within the area's moderate-income census

tracts for 2009. This is not surprising, given that 89.2 percent of the total housing units in this area are located in upper- and middle-income census tracts. Residential lending in 2010 increased slightly (2.1 percent) in the moderate-income census tracts and YTD2011 has increased to 3.1 percent for geographic distribution. Overall, the Bank's geographic distribution of residential loans in this area is poor.

Small Business Lending

The small business lending data was derived from a sample of small business loans originated in 2010 and the first three months of 2011. In total, there were 48 randomly selected sampled loans: 33 in 2010 and 15 in YTD 2011. This portion of the Bank's assessment area accounted for 22 of these loans in 2010 and 15 in 2011. Of the 22 loans made in 2010, thirteen loans were to businesses with GARs of \$1 million or less. No loans were located in low-income tracts, and two loans were in moderate-income census tracts. In YTD2011, seven loans were to businesses with GARs of \$1 million or less, and there were no loans made in low- or moderate-income census tracts

COMMUNITY DEVELOPMENT TEST

The Bank's investment activity in this portion of its assessment area is very similar to its performance in the entire assessment area. The Bank's qualified loans, investments, and services benefit organizations and projects throughout the assessment area, including this portion. For additional details, refer to the Community Development Test section of the Performance Evaluation for the entire assessment area.

METROPOLITAN AREAS

DESCRIPTION OF INSTITUTION'S OPERATIONS IN PROVIDENCE-NEW BEDFORD-FALL RIVER, RI-MA MSA:

Dedham Institution for Savings operates no full-service branches in this portion of the Bank's assessment area. The portion of the Providence-New Bedford-Fall River, RI-MA MSA (Providence MSA) included in the Bank's assessment area includes the following cities and towns: Attleboro, Easton, Mansfield, and North Attleboro. HUD adjusts the Median Family Income (MFI) for each MSA every year. For the Providence-New Bedford-Fall River, RI-MA MSA, the MFI for 2009 was \$72,500, for 2010 the MFI decreased to \$72,100 and in 2011 the MFI increased to \$74,500.

This portion of the Bank's assessment area is comprised of 18 census tracts; 6 or 33.3 percent middle-, and 12 or 66.7 percent upper-income census tracts. There are no low- or moderate-income census tracts in this portion of the assessment area. The area has a population of 113,924 residents, concentrated primarily in the upper-income census tracts. Consequently, the largest share of owner-occupied housing units (77.9 percent) is in the upper-income census tracts. The breakdown of the families by income classification is 10.7 percent low-income, 13.5 percent moderate-income, 20.5 percent middle-income, and 55.3 percent upper-income. The area's business establishments are also concentrated in the upper-income census tracts with 74.8 percent of the 7,407 area's businesses operating in these tracts.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN PROVIDENCE-NEW BEDFORD-FALL RIVER, RI-MA MSA:

LENDING TEST

Residential Lending

The residential lending in the Providence MSA is appropriate based on the Bank's branch office network and the area's population and housing characteristics. Lending in this MSA is consistent with the lending throughout the Bank's entire assessment area. During 2009, the Bank originated 16 residential loans, within this portion of the Bank's assessment area. This represents 2.2 percent of the total number of residential loans originated within the Bank's assessment area. Residential lending for 2010 and YTD2011, the Bank originated 11 and 2 loans, respectively.

The Bank's lending to borrowers of different incomes, particularly to those of low- and moderate-income, in this area is reasonable. During 2009, the Bank originated 6.3 percent of its loans to both low- and moderate-income borrowers. There were no residential loans in 2010 to low- and moderate-income borrowers. In YTD2011, there were two loans originated in this portion of the Bank's assessment area and both were to moderate-income borrowers. In 2009, 87.5 percent of the Bank's loans were in the upper-income census tracts of the Bank's assessment area. This is reasonable given that 66.7 percent of the census tracts in this area are upper-income tracts as is 77.9 percent of the owner occupied housing units. The Bank's geographic distribution of lending within this area is not weighted as this portion of the Bank's assessment area has no low- or moderate-income census tracts. Residential Lending in 2010 and YTD2011 remained consistent with the 2009 geographic distribution.

Small Business Lending

The small business lending data was derived from a sample of small business loans originated in 2010 and the first three months of 2011. In total, there were 48 randomly selected sampled loans: 33 in 2010 and 15 in YTD 2011. This portion of the Bank's assessment area accounted for only one of these loans in 2010 and none in 2011. The one 2010 loan was to a business located in a middle-income census tract that had a reported GAR of less than \$1 million.

COMMUNITY DEVELOPMENT TEST

The Bank's community development activity in this portion of its assessment area is similar to its performance in the entire assessment area. The Bank's qualified loans, investments, and services benefit organizations and projects throughout the assessment area. For additional details, refer to the Community Development Test section of the Performance Evaluation for the entire assessment area.

APPENDIX A

Fair Lending Policies and Procedures

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 2.3-101.

The Bank proactively and affirmatively supports the fair lending process through fair, but flexible lending policies.

All employees are provided with training appropriate to their job description and responsibilities in fair lending issues.

The Bank has a written second review process.

The Bank maintains an exception report that documents the approved policy exceptions. Policy exceptions will be made upon the recommendation(s) of the lending officers.

Based upon the review of the Bank's public comment file and its performance relative to fair lending policies and practices, no violations of the anti-discrimination laws and regulations were identified.

MINORITY APPLICATION FLOW

According to the 2000 U.S. Census Data, the Bank's assessment area contained a total population of 1,715,802 individuals of which 23.4 percent are minorities. The assessment areas minority and ethnic population is 10.1 percent Black/African American, 4.5 percent Asian, 0.2 percent American Indian, 0.0 percent Hawaiian/Pacific Islander, 5.4 percent Hispanic or Latino and 3.2 percent other.

For 2009 and 2010, the Bank received 1,562 HMDA reportable loan applications from within its assessment area. Of these applications, 82 or 5.2 percent were received from minority applicants, of which 61 or 74.4 percent resulted in originations. For the same time period, the Bank also received 21 applications or 1.3 percent from ethnic groups of Hispanic origin within its assessment area of which 19 or 90.5 percent were originated.

The Bank's level of lending was compared with that of the aggregate's lending performance levels for the most recent year that data was available, the year 2009. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants. Refer to the table below for information on the Bank's minority application flow as well as the aggregate lenders (excluding the Bank) in the Bank's assessment area.

MINORITY APPLICATION FLOW								
RACE	Bank 2009		2009 Aggregate Data		Bank 2010		Bank TOTAL	
	#	%	#	%	#	%	#	%
American Indian/ Alaska Native	4	0.5	177	0.1	0	0.0	4	0.2
Asian	23	2.6	7,178	5.1	13	1.9	36	2.3
Black/ African American	10	1.1	5,384	3.8	5	0.7	15	1.0
Hawaiian/Pac Isl.	1	0.1	229	0.2	0	0.0	1	0.1
2 or more Minority	0	0.0	92	0.1	1	0.1	1	0.1
Joint Race (White/Minority)	13	1.5	1,596	1.1	12	1.8	25	1.6
Total Minority	51	5.8	14,656	10.4	31	4.5	82	5.3
White	743	84.7	91,454	64.8	576	84.1	1,319	84.4
Race Not Available	83	9.5	34,919	24.8	78	11.4	161	10.3
Total	877	100.0	141,029	100.0	685	100.0	1,562	100.0
ETHNICITY								
Hispanic or Latino	5	0.6	2,386	1.7	5	0.7	10	0.6
Not Hispanic or Latino	748	85.3	102,437	72.6	569	83.1	1,317	84.4
Joint (Hisp/Lat /Not Hisp/Lat)	7	0.8	1,025	0.7	4	0.6	11	0.7
Ethnicity Not Available	117	13.3	35,181	25.0	107	15.6	224	14.3
Total	877	100.0	141,029	100.0	685	100.0	1,562	100.0

Source: 2009 and 2010 HMDA/ LAR, 2009 HMDA Aggregate Data

The Bank's performance was significantly below the 2009 aggregate's performance level for minority applicants. The Bank received 5.8 percent of its applications from minorities while the aggregate was at 10.4 percent. The Bank's performance was also below the 2009 aggregate's performance for ethnic minorities. The Bank received 1.4 percent while the aggregate received 2.4 percent for ethnic minorities.

The Bank's minority application flow, when compared to the aggregate's lending performance levels and the assessment area demographics, is less than adequate.

APPENDIX B

General Definitions

GEOGRAPHY TERMS

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Area (MA): One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Primary Metropolitan Statistical Area (PMSA): A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

Consolidated Metropolitan Statistical Area (CMSA): The larger area of which PMSAs are component parts.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of geography.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

OTHER TERMS

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 55 Elm Street, Dedham, MA 02026."

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.